



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

June 15, 2006

To: Mayor Michael D. Antonovich  
Supervisor Gloria Molina  
Supervisor Yvonne B. Burke  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe

From: David E. Janssen  
Chief Administrative Officer

A handwritten signature in black ink, appearing to read "David E. Janssen", is written over the "From:" line and extends into the "SACRAMENTO UPDATE" section.

**SACRAMENTO UPDATE**

**Budget Conference Committee – Estimated Impact on the County**

The Budget Conference Committee completed its work on the FY 2006-07 State Budget on June 10, 2006. Despite the conclusion of Budget deliberations five days before the June 15, 2006 constitutional deadline to pass the Budget, no final agreement was reached, and it appears that the legislative leadership and the Governor will have to negotiate the final details.

While the Committee's work is finished, a Conference Report has not been released, and legislative staff continue to work on associated Budget Trailer bills to complete a Budget package before it is considered in both Houses. As of the afternoon of June 15, 2006, no official Trailer Bill language is available in print form. Nevertheless, based on a preliminary review of the Conference Committee actions and other information from our Sacramento advocates, the Urban Counties Caucus, the California State Association of Counties, and the California Welfare Directors Association, it is estimated that Conference Committee actions would increase funding for the County from a projected net gain of \$33.6 million in the Governor's May Revision, to an estimated net gain of \$131.9 million. The attachment reflects the estimated impact of the Committee's actions. These estimates may change, however, after the meetings of the legislative leadership and the Governor are concluded.

The primary reasons for this improvement are:

- **AB 3632 Program.** The Conference Committee approved \$118 million to reimburse counties for AB 3632 Program costs in FY 2006-07 (\$52 million), and for the repayment of prior year claims in FY 2004-05 (\$33 million) and in FY 2005-06 (\$33 million). These allocations are in addition to \$69 million in Federal Individuals with Disabilities Act funds included in the current year budget.

The Conference Committee action actually reduces funding for the AB 3632 Program from \$60 million in FY 2005-06 to \$52 million in FY 2006-07. This would result in an estimated \$2.7 million reduction for the County in FY 2006-07. However, the additional \$66 million for repayment of prior year claims would provide the County an estimated \$22 million as repayment for FY 2004-05 and FY 2005-06.

According to draft Trailer Bill language, funding will be distributed on a monthly basis consistent with an allocation plan developed by the State Department of Mental Health. Additional allowable costs in excess of the proposed appropriation will be reimbursed through the State mandate process. In addition, starting with FY 2007-08, reimbursement claims would be dependent on the approval of a Memorandum of Understanding between counties and the State whereby counties would agree to provide specific program and fiscal data.

- **CalWORKs:** The Conference Committee approved a total of \$5.1 billion for the CalWORKs Program, which reflects an estimated increase of \$100 million above the May Budget Revision. The final Budget is likely to include a bipartisan package adopted by the Conference Committee which is designed to increase the number of CalWORKs participants engaged in work activities as required by the Federal Deficit Reduction Act of 2005. The Conference Committee compromise package restores \$140 million to fully fund the CalWORKs Program at the FY 2005-06 level, and it provides an additional \$90 million in Single Allocation Funds to meet new Federal work participation requirements. As a result, the County will receive an estimated \$30 million to help it to comply with the Federal Deficit Reduction Act.
- **Health Care Workforce Development.** The Conference Committee approved \$5.7 million for the Los Angeles County Health Care Workforce Development Program. These funds are equal to one-half of the remaining State obligation under the 2000 extension of the County's 1115 Medicaid Waiver. If approved by the Governor, the County will receive \$5.7 million.

- **Trauma Care.** The Conference Committee approved \$10 million in one-time funds to be distributed to trauma care centers on a competitive grant basis. Proposed Budget Bill language stipulates that no expenditures shall be made before December 1, 2006, and may occur only in the event that the Tobacco Tax Act of 2006 Initiative is not approved by the voters in the November 2006 election. Otherwise, the funds will revert to the State General Fund.
- **Child Support Administration.** The Conference Committee approved an additional \$12 million to improve the overall performance of the program. According to the Department of Child Support Services, the County will receive approximately \$2.5 million in FY 2006-07.
- **Citizens' Option for Public Safety (COPS)/Juvenile Justice Crime Prevention Act (JJCPA).** The May Revision proposed a \$42.6 million increase to restore the COPS and JJCPA programs to their original funding levels in FY 2000-01. The Conference Committee denied the proposed augmentation which would have increased funding by \$21.3 million for COPS and \$21.3 million for JJCPA. There is no impact on the County because the Committee maintained funding for both programs at the current year level of \$100 million for each program.
- **Standards Training for Corrections Program.** The Governor's May Revision proposed \$19.5 million in support of training for local sheriff and probation staff who work in adult and juvenile detention facilities. The Legislature adopted this funding during the subcommittee process; and therefore, it was not a subject of Budget Conference Committee discussion. If approved, the County will receive about \$2.2 million for the Probation Department and \$1.7 million for the Sheriff.
- **Booking Fees.** The Governor's May Revision Proposal included \$40 million to address the booking fees/local detention facilities funds. A subsequent proposal on the distribution of booking fees and a proposed State subvention developed by the sheriffs and police chiefs was not heard by the Budget Committees in either house. The California State Association of Counties has taken an oppose position on the proposal pending the resolution of several outstanding issues including control over the imposition of booking fees and limitations on booking fees for new crimes. Nevertheless, representatives for the sheriffs and police chiefs continue to advocate for the inclusion of the booking fee package in the Budget Act. As a result, funding for booking fees could be a subject of Big Five discussions.

- **Public Library Foundation Program.** The May Revision provided a \$7 million increase for the Public Library Foundation Program. Both houses sustained the increase and it was not a Conference Committee item. If approved, the County's Public Library would receive approximately \$700,000 in FY 2006-07.
- **Proposition 42 Loan Repayment.** The May Revision proposed to fully fund Proposition 42 at \$1.4 billion for FY 2006-07 and to prepay \$920 million of the FY 2004-05 loan that is due to be repaid in FY 2007-08. The Conference Committee approved \$660 million and allocated the funding to the State Transportation Improvement Program (\$245 million), local streets and roads (\$245 million), Public Transportation Account (\$122 million), and the Traffic Congestion Relief Plan (\$48 million). The Committee action preserved funding for local streets and roads for counties and cities. According to the Department of Public Works, the County would receive approximately \$25 million in FY 2006-07.
- **Repayment of Deferred Mandates.** The May Revision proposal included \$83 million to repay the first year of the 15-year repayment plan to reimburse counties for mandated costs incurred prior to FY 2004-05, and provided an additional \$86 million to accelerate prepayment of the second year installment which is not due until FY 2008-09. The Conference Committee reached a compromise agreement on mandate reimbursement which limited repayment of deferred mandates to only the first year installment. Since the State currently owes the County about \$197.4 million for mandate claims prior to FY 2004-05, we estimate the County will receive and estimated \$14 million as its first year payment. This amount is in addition to funds received by the County for AB 3632 Program claims.
- **Proposition 36.** The June 8, 2006, amended version of the Budget Bill includes \$145 million for the continuation of the Substance Abuse Treatment Program. There are two funding pots: the first contains \$120 million which is the current base level of Proposition 36 funding. The second pot supplements the base funding with an additional \$25 million which may require a local match.
- **Los Angeles Eligibility, Automated Determination, Evaluation and Reporting (LEADER) System.** The Assembly and the Senate adopted the Governor's May Revision proposal to allocate \$600,000 for the LEADER System in FY 2006-07.

Each Supervisor  
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Other issues of interest to the County include.

- **Child Welfare.** The Budget subcommittees approved an additional \$103 million to enhance child welfare services, improve caseload staffing levels, provide kinship support services, increase the number of adoptions, and provide housing assistance for emancipated foster youth.
- **Title IV-E Waiver.** The Budget subcommittees approved \$35.5 million to cover first-year costs of the Title IV-E Child Welfare Demonstration "Capped Allocation" Project in 20 counties, including Los Angeles.

We will continue to keep you advised.

DEJ:GK  
MAL:JF:MR:cc

Attachment

c: All Department Heads  
Legislative Strategist  
Local 660  
Coalition of County Unions  
California Contract Cities Association  
Independent Cities Association  
League of California Cities  
City Managers Associations  
Buddy Program Participants

**ESTIMATED IMPACT ON LOS ANGELES COUNTY  
FROM THE GOVERNOR'S FY 2006-07 PROPOSED BUDGET**  
(In Millions)

| <b><u>Reductions :</u></b>                            | <b><u>January<br/>Budget</u></b> | <b><u>May Budget<br/>Revision</u></b> | <b><u>Conference<br/>Committee</u></b> |
|---|----------------------------------|---------------------------------------|--|
| Suspension of the Property Tax Administration Program | \$ (13.5)                        | \$ (13.5)                             | \$ (13.5)                              |
| AB 3632 Special Education Pupil Program               |                                  |                                       |  |
| FY 2006-07 Program Costs                              | (3.3)                            | 3.0                                   | (2.7) <sup>(1)</sup>                   |
| Prior Year Claim Reimbursement - FY 2005-06           | 0.0                              | 0.0                                   | 11.0 <sup>(1)</sup>                    |
| Prior Year Claim Reimbursement - FY 2004-05           | 0.0                              | 0.0                                   | 11.0 <sup>(1)</sup>                    |
| Hospital License Fees                                 | 0.0                              | (0.5)                                 | 0.0                                    |
| CalWORKs Program:                                     |                                  |                                       |  |
| Single Allocation                                     | (78.2)                           | (64.9)                                | 0.0 <sup>(2)</sup>                     |
| Single Allocation - Improvement Program               | 0.0                              | 0.0                                   | 30.0 <sup>(3)</sup>                    |
| Pay for Performance Allocation                        | (10.0)                           | 13.3                                  | 13.3                                   |
|   | <u>(105.0)</u>                   | <u>(62.6)</u>                         | <u>49.1</u>                            |
| <b><u>Augmentations / Restorations :</u></b>          |                                  |                                       |  |
| Health Care Workforce Development                     | 0.0                              | 0.0                                   | 5.7                                    |
| Trauma Care Funding                                   | 0.0                              | 0.0                                   | 0.5                                    |
| Child Support Funding                                 | 0.0                              | 0.0                                   | 2.5                                    |
| Juvenile Justice Crime Prevention Act (JJCPA) Program | 0.0                              | 4.9                                   | 0.0 <sup>(4)</sup>                     |
| Citizens Option for Public Safety (COPS) Program:     |                                  |                                       |  |
| District Attorney                                     | 0.0                              | 0.5                                   | 0.0 <sup>(5)</sup>                     |
| Sheriff   | 0.0                              | 0.5                                   | 0.0 <sup>(5)</sup>                     |
| Unincorporated Areas                                  | 0.0                              | 0.4                                   | 0.0 <sup>(5)</sup>                     |
| Standards and Training for Corrections Program        |                                  |                                       |  |
| Probation   | 0.0                              | 2.2                                   | 2.2                                    |
| Sheriff   | 0.0                              | 1.7                                   | 1.7                                    |
| Booking Fees / Local Detention Facility Funds         | 0.0                              | 5.3                                   | 0.0 <sup>(6)</sup>                     |
| Public Library Foundation Program                     | 0.0                              | 0.7                                   | 0.7                                    |
| Repayment of Deferred State Mandates                  | 14.0                             | 24.3                                  | 14.0 <sup>(7)</sup>                    |
| Proposition 42 - FY 2004-05 Loan Early Repayment      | 25.0                             | 25.0                                  | 25.0                                   |
| Proposition 36  |                                  |                                       |  |
| Substance Abuse Crime Prevention Act of 2000          | 30.0                             | 30.0                                  | 30.0                                   |
| Substance Abuse Offender Treatment Program            | 0.0                              | 0.0                                   | 0.0 <sup>(8)</sup>                     |
| Election Cost Reimbursement                           | 9.0                              | 0.0                                   | 0.0 <sup>(9)</sup>                     |
| DPSS: LEADER System                                   | 0.8                              | 0.6                                   | 0.6                                    |
|   | <u>\$ 78.8</u>                   | <u>\$ 96.2</u>                        | <u>\$ 82.8</u>                         |
| <b>Estimated Net Impact</b>                           | <b>\$ (26.2)</b>                 | <b>\$ 33.6</b>                        | <b>\$ 131.9</b>                        |

## Notes:

- (1) The Conference Committee approved \$52 million for FY 2006-07 program costs and \$66 million for reimbursement of FY 2004-05 and FY 2005-06 claims.
- (2) The compromise package restores \$140 million Statewide to fully fund the CalWORKs Program at the FY 2005-06 spending level.
- (3) Reflects an increase of \$90 million in single allocation funds to be used for strategies to meet new Federal work participation requirements.
- (4) The Conference Committee denied the Governor's May Revision proposed augmentation of \$21.3 million for the JJCPA Program in FY 2006-07.
- (5) The Conference Committee denied the Governor's May Revision proposed augmentation of \$21.3 million for the COPS Program in FY 2006-07.
- (6) The Budget Committees of both Houses did not hear this item. Therefore, it was not subject to the Budget Conference Committee discussion.
- (7) The Conference Committee rejected the Governor's May Revision proposal to prepay the State's obligation in FY 2007-08.
- (8) The Conference Committee approved \$120 million for continuation of the Prop. 36 Program, and added \$25 million for a new treatment program.
- (9) Reimbursement for the November 2005 special election is anticipated in FY 2005-06.

*This table represents the estimated impact of the Governor's Proposed Budget, the May Revision, and the Budget Conference Committee. It does not reflect the actual impact on the County or a department which may assume a different level of State funding or be able to offset lost revenue.*